

19 August 2015
ASX/Media Announcement

THE REJECT SHOP LIMITED (ASX:TRS)

FULL YEAR RESULTS (FY2015) ANNOUNCEMENT

Highlights:

- **Sales up 6.4% on prior year to \$756.8 million**
- **Comparable store sales were -0.8% for the year, -3.3% for H1 and +2.3% for H2 (incl. Q4 +4.7%)**
- **Full year EBITDA of \$40.8m up 2.2% on pcp, H1 EBITDA down \$4.8 million (14.4%), H2 EBITDA up \$5.7m (86.4%)**
- **Net Profit of \$1.4m recorded in H2; FY2015 NPAT \$14.2m down 1.9% on pcp**
- **Strong cash flow performance**
- **Turnaround beginning to gain momentum**
- **Final dividend of 13.5 cents per share, taking full year dividend to 30 cents per share**

Overview:

	FY2015	FY2014	% Change
	\$ million	\$ million	
Sales	756.8	711.5	+6.4%
EBITDA	40.8	39.9	+2.2%
EBIT	21.7	22.0	-1.3%
NPAT	14.2	14.5	-1.9%

The Chairman of The Reject Shop Limited (the Company), Mr Bill Stevens, today announced a full year Net Profit After Tax (NPAT) of \$14.2 million, demonstrating the impacts of the significant efforts that have been made during the period to restore the company's financial performance.

The Directors have declared a fully franked final dividend of 13.5 cents per share based on a continuation of a dividend payout ratio of 60 per cent of full year projected earnings. The record date for the payment of the final dividend is 25 September 2015 with a payment date of 12 October 2015.

Mr Stevens advised that sales for the 12 months to June 2015 were \$756.8 million, an increase of 6.4% over the prior corresponding period. Overall sales growth was driven by a net 12 new store openings (21 new stores and 9 closures during the year) and the early success of efforts to refocus the business on delivering great value on every day products that has been the cornerstone of the Company's offer over time. The Company currently has 335 stores operating across the country.

The Company generated EBIT of \$21.7 million for the year.

Comparable store sales for the second half were +2.3%, demonstrating the renewed momentum in the business following the -3.3% comparable store sales result in the first half. This building momentum is further illustrated by the 4th quarter comparable store sales growth of +4.7%.

Update on operational Initiatives:

Managing Director Mr Ross Sudano, in updating operational initiatives, referred to previously announced elements of a strategy to maximise the strengths of the business model for long term growth, by servicing the growing demand of savvy discount shoppers by leveraging the company's extensive store network.

He further stated that "The building blocks of that strategy are now in place and progress in advancing this strategy is evidenced by the improved financial performance in the second half, particularly the growth in comparable store sales.

"We have made significant changes which are beginning to deliver pleasing results. However we still have much work to do to restore the business to a point where it generates acceptable returns for shareholders," he said.

Sales

Following a challenging first half, sales improved during the second half with pleasing comparable store sales growth, reflecting a renewed focus on getting the value mix right for customers. This in turn has translated into increasing foot traffic in the company's stores.

Marketing

Improving communication with customers is another key plank of the company's strategy. During the year the mix of communication was realigned with a greater use of television, to communicate the customer promise more broadly; supplemented by catalogues to support key selling events. The company has also invested in the development of a digital data base to enable us to communicate directly with our customers.

This multi-channel approach has improved customer appreciation for the quality and variety of products sold at The Reject Shop, resulting in better customer participation and increased transactions in store.

Supply Chain

The company has an ongoing focus on an efficient and effective supply chain that supports delivery of the company's customer offer while also reducing costs.

Initiatives implemented during the period delivered good results with a significant reduction in total in-store stock holdings.

Property

The property portfolio continues to be a major focus, with inroads already made in addressing the overall shape of the property portfolio to achieve rental costs consistent with the company's objectives for individual store profitability.

Mr Sudano added: "We indicated we would take an active approach to managing our store portfolio, particularly where our financial criteria were not met. We took the difficult decision during the year to close nine stores where acceptable terms could not be reached," he said.

People and capability

During the period significant changes were made to the composition of the Executive Leadership team which has been strengthened by the appointments of five new senior executives with extensive retail experience.

Managing Director Mr Sudano added "We are delighted to welcome the recent additions to our executive team who complement the skills of our existing team well. Together they bring substantial retail experience and I look forward to the significant contribution they will make to drive the changes we are making to our business to improve performance.

Outlook:

Mr Sudano added: "While we are pleased with the initial results of our plan to restore the performance of the business we have much work to complete over the next three years.

"Our momentum gained during Q3 and Q4 of FY15 has continued into the first quarter of the new financial year with strong growth in comparable store sales continuing during July. We expect an improvement in the 2016 financial year profit compared to 2015," he said.

Further information can be obtained from the Company's website at www.rejectshop.com.au

The Reject Shop Limited

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